

The legislation that I introduce today would help the Postal Service achieve financial stability and light the way to future cost savings without undermining customer service.

One area the legislation would help address is the more than \$50 billion that the Postal Regulatory Commission estimates the Postal Service has overpaid into the Civil Service Retirement System, CSRS, and the nearly \$3 billion it has overpaid into the Federal Employees Retirement System pension fund. It is simply unfair both to the Postal Service and its customers not to refund these overpayments.

To address these inequities, the bill would allow the Postal Service to access amounts that it has overpaid into these pension funds. The Postal Service must be permitted to use these funds to address other financial obligations, like its payments for future retiree health benefits and unfunded workers compensation liabilities and for repaying its existing debt.

I have pressed the Office of Personnel Management, OPM, to change its calculation method for Postal Service payments into the CSRS fund consistent with the 2006 Postal Reform law. OPM officials, however, stubbornly refuse to change this methodology or even to admit that the 2006 postal law permits them to do so. This has created a bureaucratic standoff that is unfair to the Postal Service. The OPM holds the life preserver it could help rescue the Postal Service, but it simply refuses to throw it.

This legislation would direct the OPM to exercise its existing authority under the 2006 postal reform law and to revise its methodology for calculating the Postal Services obligations to the CSRS pension fund. Once OPM exercises this authority, my legislation would allow the Postal Service to use any resulting overpayments to cover its annual payments into the Retiree Health Benefits Fund, rather than having to wait until after September 30, 2015, to access the CSRS overpayment.

Additionally, the legislation would allow the Postal Service to access the nearly \$3 billion it has overpaid into the Federal Employees Retirement System, FERS, pension fund. The legislation would grant OPM this authority by adopting language, similar to section 802(c) of the 2006 postal reform law, that allows OPM to recalculate the methodology governing Postal Service payments into the FERS pension fund.

As with the CSRS overpayment, the Postal Service would be permitted to use the FERS overpayment to meet its statutory obligations to the Retiree Health Benefits Fund. These fund transfers would greatly improve the Postal Services financial condition.

If the CSRS and FERS overpayment amounts are sufficient to fully fund the Postal Services obligations to the Retiree Health Benefits Fund, this legislation would allow the Postal Service to pay its workers compensation liabilities,

which top \$1 billion annually. The Postal Service may also choose to use these funds to pay down its existing debt, which currently is \$12 billion.

Second, the legislation would improve the Postal Services contracting practices and help prevent the kind of ethical violations recently uncovered by the Postal Service inspector general.

Several months ago, I asked the Postal Service inspector general to review the Postal Services contracting policies. The findings of these inspector general audits were shocking. The IG found stunning evidence of costly contract mismanagement, ethical lapses, and financial waste.

In its review of the Postal Services contracting policies, the IG discovered no-bid contracts and examples of apparent cronyism. The Postal Services contract management did not protect it from waste, fraud, and abuse. Indeed, it left the door wide open.

As a result, the Postal Service could not even identify how many contracts were awarded without competition. Of the no-bid contracts the IG reviewed, 35 percent lacked justification.

In one of the more egregious examples of waste and abuse, the IG discovered that more than 2,700 contracts had been awarded to former employees since 1991. Looking at the past 3 years, the IG found that 359 were awarded as no-bid contracts. And 17 of those non-competitive contracts went to career executives within 1 year of their separation from the Postal Service.

Additionally, some former executives were brought back at nearly twice their former pay to advise newly hired executives—an outrageous practice that the IG said raised serious ethical questions, hurt employee morale, and tarnished the Postal Services public image. In one example, an executive received a \$260,000 no-bid contract in July 2009, just 2 months after retiring. The purpose: to train his successor.

My legislation would help remedy many of the contracting issues the IG identified. Specifically, the bill would direct the Postmaster General to establish a competition advocate, responsible for reviewing and approving justifications for noncompetitive purchases and for tracking the level of agency competition. The competition advocate also would be required to submit an annual report on Postal Service procurement to the Postmaster General, the Board of Governors, the Postal Regulatory Commission, and the Congress.

To improve transparency and accountability, the bill also would require the Postal Service to publish justifications of noncompetitive contracts greater than \$150,000 on its Web Site. This transparency would improve the Postal Services contracting practices and promote competition.

To resolve the ethical issues documented by the IG, the bill would limit procurement officials from contracting with closely associated entities. It also

would require the Postal Services ethics official to review any ethics concerns that the contracting office identifies prior to awarding a contract.

Third, the legislation includes several provisions that would enhance efficiency and reduce costs. The Postal Service has made efforts to reduce costs over the past several years. But more must be done.

One area where improvements can be made is in the consolidation of area and district offices. The IG found that the Postal Services regional structure—eight area offices and 74 district offices costing approximately \$1.5 billion in fiscal year 2009—has significant room for consolidation. My bill would require the Postal Service to create a comprehensive strategic plan to guide consolidation efforts—a road map for future savings.

The bill would also require the Postal Service to develop a plan to increase its presence in retail facilities, or co-locate, to better serve customers. Before co-location decisions could be made, however, the bill would direct the Postal Service to weigh the impact of any decision on small communities and rural areas. Moreover, the Postal Service would be required to solicit community input before making decisions about co-location and to ensure that co-location does not diminish the quality of service.

Fourth, the bill includes a provision that would require the arbitrator to consider the Postal Services financial condition when rendering decisions about collective bargaining agreements. This logical provision would allow critical financial information to be weighed as a factor in contract negotiations.

Finally, the bill would reduce work-force-related costs government-wide by converting retirement eligible postal and federal employees on workers compensation to retirement when they reach retirement age. This is a commonsense change that would significantly reduce expenses that both the Postal Service and the Federal Government cannot afford to sustain.

In fiscal year 2010, the Department of Labor paid approximately \$2.7 billion to employees on workers compensation. This includes approximately \$1 billion in workers compensation benefits to postal employees. More than 8,600 of postal employees covered by workers compensation are over the age of 55. The Department of Labor indicates that Federal employees across the government are receiving workers compensation benefits into their 80s, 90s, and even 100s. At the Postal Service alone, more than 1,000 employees currently receiving workers compensation benefits are 80 years or older. Incredibly, 132 of these individuals are 90 years of age and older and there are three who are 98.

The Postal Service is at a crossroads; it must choose the correct path. It must take steps toward a bright future.